



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 6, 2002

H.R. 3694 **Highway Funding Restoration Act**

*As ordered reported by the House Committee on Transportation and Infrastructure on
May 1, 2002*

SUMMARY

H.R. 3694 would amend the Transportation Equity Act for the 21st Century (TEA-21) by authorizing an increase in the obligation limitation for the Federal-Aid Highway program of nearly \$4.4 billion in 2003. TEA-21 provides budget authority for the Federal-Aid Highway program in the form of contract authority, the authority to incur obligations in advance of appropriations. Spending from the program, however, is largely controlled by limits on annual obligations set in appropriations acts. Although TEA-21 includes specific obligation limitations for the Federal-Aid Highway program, each year appropriation acts include a limitation that may or may not be the same as the amounts in TEA-21.

Assuming the 2003 appropriations act includes an obligation limitation equal to the limitation in the bill, CBO estimates that H.R. 3694 would cost \$4.2 billion over the 2003-2007 period, and an additional \$0.2 billion after 2007. H.R. 3694 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would benefit states.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3694 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars				
	2003	2004	2005	2006	2007
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Authorization Level ^a	0	0	0	0	0
Estimated Outlays	1,180	1,835	743	262	175

a. Budget authority for the Federal-Aid Highway program is provided as mandatory contract authority in authorization legislation such as TEA-21. Changing the obligation limitation, as H.R. 3694 would do, does not affect such budget authority.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 3694 will be enacted in fiscal year 2002, that the appropriation action for 2003 will adopt the new obligation limitation, and that spending from the Federal-Aid Highway program will follow historical patterns.

Under current law, the Office of Management and Budget (OMB) must calculate an annual adjustment to TEA-21 known as revenue-aligned budget authority (RABA). To calculate this adjustment, OMB compares current estimates of receipts to the Highway Trust Fund to amounts specified in TEA-21. This number is used to adjust the level of contract authority for the Federal-Aid Highway program, the obligation limitation for that program in TEA-21, the outlay cap for the highway category of discretionary spending, and the obligation limitation associated with the highway category.

OMB has calculated a reduction of almost \$4.4 billion for the 2003 RABA adjustment. (The adjustment applies to TEA-21's obligation limitation for 2003; but the adjustment to contract authority is scheduled for 2004.) For the purposes of adjusting the TEA-21 obligation limitation for the Federal-Aid Highway program, the outlay cap of the highway category, and the obligation limitation of the highway category for 2003, H.R. 3694 would make the RABA adjustment equal zero. H.R. 3694 would not affect the RABA adjustment to contract authority.

By exempting the 2003 TEA-21 obligation limitation for the Federal-Aid Highway program from any RABA adjustment, H.R. 3694 would increase that limitation by almost \$4.4 billion. Assuming the 2003 appropriation acts set a limitation equal to the amount in TEA-21, implementing H.R. 3694 would cost about \$4.4 billion over the next seven years.

Exempting the highway category from any RABA adjustment in 2003 would affect the enforcement of Congressional budget rules, but it would not have a direct effect on the federal budget. The highway category includes the Federal-Aid Highway program, programs for motor carrier safety, and programs for highway traffic safety. Discretionary spending from these programs depends on the budget authority and obligation limitations set in annual appropriations acts. Increasing the highway category would not authorize additional appropriations, but it would increase the amount of spending authorized under current law that would be considered under the highway category.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3694 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would retain the 2003 obligation limitation for federal aid to highways at the level set in TEA-21. In the absence of the bill, states would receive about \$4.4 billion less in federal aid than the level set in TEA-21 for 2003. Because states voluntarily participate in the programs that provide federal aid for highways, any costs they incur as a result of enactment of this bill would be voluntary as well.

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